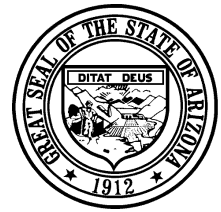


ARIZONA DEPARTMENT OF WATER RESOURCES

500 North Third Street, Phoenix, Arizona 85004

Telephone (602) 417-2410

Fax (602) 417-2415



JANE DEE HULL
Governor

RITA P. PEARSON
Director

August 31, 1998

Dear Interested Parties:

I am pleased to present this report to the residents and water users of the Prescott Active Management Area (AMA) for their consideration. More than a year ago, the Arizona Department of Water Resources' (Department) staff informed me that collected data in the Prescott AMA indicated groundwater was being pumped out faster than it was being replaced, thus depleting the AMA's groundwater supplies. Department staff immediately informed AMA community leaders of this situation, and that the Department's Assured Water Supply (AWS) Rules required us to continue collecting data for another year before making any final determination about the status of its groundwater supplies.

Throughout the last year, I have carefully reviewed and evaluated the Department's data and instructed my staff to work closely with Prescott AMA residents and community leaders to share with them all of the information available to us. Our main objective has been to find solutions that ensure a long-term, sustainable, high quality water supply for the AMA. The attached report, "Arizona Department of Water Resources Preliminary Determination Report on The Safe-Yield Status of The Prescott Active Management Area," summarizes the available data, describes the hydrology and current and historic water uses in the AMA and describes the laws authorizing and guiding the Department's actions. Based on the extensive data collected by the Department, I have preliminarily determined that the Prescott AMA is no longer at safe-yield.

Data collected by the Department demonstrates ongoing water level declines and current groundwater pumping greatly in excess of the AMA's safe-yield goal. In the last five years, water levels have declined in more than 73 percent of monitored wells. In longer-term periods, similar decline trends have been measured as well. Water level declines are caused by groundwater withdrawals which exceed the amount of water re-entering, or recharging, the local aquifers. Groundwater pumping in the AMA has increased from 14,700 acre-feet (af) in 1990 to 18,500 af in 1997. With the recent subdivision activity in the Prescott AMA, communities have committed more than 10,000 additional af per year of groundwater for developments still to be built.

My staff and I are very aware of the significance of the safe-yield determination in the Prescott AMA. We have received a large amount of correspondence from residents concerned about their water supply, homeowners who have already observed declines in the level of water in their wells, developers and landowners concerned about the ability to develop their lands, local officials concerned about potential impacts on the economy of the region and water providers concerned about finding alternative supplies and the potential cost of those supplies. These concerns are being taken very seriously. I have directed my staff to work closely with everyone in the AMA to address local concerns, while maintaining our responsibility to protect the long-term sustainability of water supplies in the AMA.

I am also well aware of the charges that the Department's data is insufficient, we are acting prematurely, or that we are biased and determined to stop growth in the AMA. Others have asserted the Department has acted too slowly and could, in fact, be facilitating additional

growth. The attached report speaks for itself on the adequacy of the considerable data collected and analyzed. I am open to the review of additional data and look forward to receiving additional data from the studies being conducted for Shamrock Water Company, as well as anyone else with information to present. The purpose of the public process is to allow the Department to hear any additional information which might assist the Department in making a correct determination and to provide the public with an opportunity to review, analyze and comment on the data the Department has assembled to date. I will use all of the assembled information to guide my decision.

Our role here is one of technical fact finding. The Department takes its responsibility to the current and future residents of the Prescott AMA very seriously. Any assertion that we have a vested interest in the outcome of the decision is false. Our only interest is that of pride and responsibility in our technical work and making a correct determination. To further ensure the objectivity of this review process, I have hired an out-of-state independent consultant, nationally recognized as an expert in groundwater modeling. He will provide a review of the Department's data, as well as other data submitted in writing or orally at the hearing.

I recommend that each of you keep apprised of the water issues in your area. In preparing and editing this report, we have strived to ensure that it is readable and informative for all residents of the AMA, not just those who are experts on water issues. As you participate in the ongoing water discussions, please understand that although the safe-yield decision is critical to the long-term sustainability of the AMA's water supply, there is no immediate threat to the water supplies of the AMA's municipalities. Under the interim AWS guidelines, which took effect on August 21, 1998, and the AWS Rules that will be implemented if the AMA is finally determined to be no longer at safe-yield, groundwater withdrawals for new subdivisions will be very limited to avoid further aggravation of the current mining condition. However, the subdivisions already approved will result in additional groundwater mining.

My preliminary determination, along with the public notices published on August 21 and 28, 1998, initiated a formal public review process. Distribution of the attached report for your review and comment is the second step in this process. A public hearing has been scheduled for Saturday, September 26, 1998 from 10:00 a.m. to 3:30 p.m., with a lunch break from 12:00 p.m. to 1:00 p.m. The goal of the public hearing is to collect further information and allow those in attendance to provide oral or documentary evidence on whether or not the AMA is at safe-yield. Additional written comments can be submitted to me until October 26, 1998 at 5:00 p.m. After this date, no additional information can be submitted, and I am required to make a final decision on the safe-yield status of the AMA within 180 days. Oral presentations at the public hearing will be limited to five minutes, unless a written request has been submitted to the Director by September 18, 1998 at 5:00 p.m. requesting additional time. Anyone may submit written comments to me concerning matters discussed at the hearing. The deadline to submit written comments is October 26, 1998 by 5:00 p.m. To submit a written comment, please send it to the following address:

Director, Arizona Department of Water Resources
c/o Rose Mae Nokes
500 N. Third Street, Fourth Floor
Phoenix, Arizona 85004

I look forward to receiving and reviewing your comments as we proceed with the public process to determine the safe-yield status of the Prescott AMA.
Sincerely,

Rita P. Pearson
Director